TELEMUS MONTHLY COMMENTARY
July 2019

PORTFOLIO REVIEW

Current market conditions may not accurately reflect the level of uncertainty around worldwide economic conditions, trade tensions and geopolitical risks across the globe. Given the wide range of potential outcomes, we have sought to position portfolios in line with their strategic asset allocation targets. However, within asset classes, we have become more defensively positioned. Should the trade war drag on, or economic conditions soften further, we would expect the defensive posture to be a benefit for clients.

SLEEVE COMMENTARY

EQUITIES

U.S. equity indexes scratched out a positive return in July driven by what has largely been better than expected second quarter earnings results. In addition, expectations around a Fed rate cut also served as a tailwind to returns. The market faltered at month's end after the Federal Reserve cut interest rates by 1/4 of a percent and provided little indication around the path for interest rates going forward.

The broader market, as exhibited by the S&P 500, was up +1.44% in July. Growth stocks continued to outperform value, a trend that has been persistent throughout 2019. Small cap stocks returned +0.57%, trailing the performance of their large and mid cap peers.

International stocks were unable to keep up the U.S. market as the MSCI EAFE registered a modestly negative return of -1.27% for the month. Stocks in Asia fell slightly more than those in Europe and the Middle East.

FIXED INCOME

Bonds were fairly steady throughout the month of July as investors awaited the outcome of several July central bank meetings. The European Central bank did not change interest rates, but indicated it would likely ease at their next meeting. The Federal Reserve did indeed ease on July 31st with its 1/4 point rate cut. This resulted in lower Treasury yields following the announcement.

The Bloomberg Barclays Aggregate rose a modest +0.22%. Treasury results trailed other sectors of the bond market. Mortgage backed securities, which have been laggards this year, returned +0.40%, outpacing the broader bond market. Among corporate bonds, longer maturities were particularly strong, appreciating +1.16%. The yield on corporate bonds continue to be narrower than average relative to Treasuries.

Municipal bonds experienced a strong month as the Bloomberg Barclays US Municipal 1-5 Year rose +0.61%. Municipal bonds remain highly popular among investors as muni mutual funds have received significant inflows this year.

ALTERNATIVES

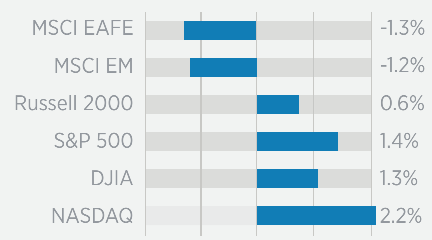
Hedge Funds results were generally positive as the HFRX Equal Weighted Strategies Index was up +0.57%. Macro driven strategies were among the best performing categories, returning +1.83%, while market neutral funds continue to lag, falling -0.71% in July.

After strong returns in June, commodities largely stabilized in July. West Texas crude was up a modest +0.58%, although natural gas was down -4.0% on concerns of an oversupply. Precious metals remained strong rising +4.2%.

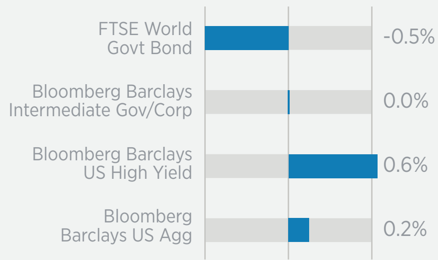
Real Estate continues to experience steady gains as the Dow Jones U.S. Select REIT rose +1.60% and the MSCI World Real Estate was up +0.43%.

The dollar appreciated +2.48% in July, an unusually strong return for a currency. Concerns around further central bank easing outside of the U.S. have created a greater demand for U.S. dollars.

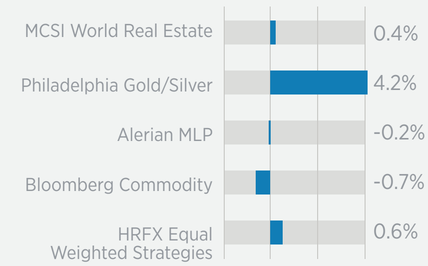
EQUITY INDEX RETURNS



BOND INDEX RETURNS



ALTERNATIVE RETURNS



ECONOMIC BACKDROP

	POSITIVES	NEGATIVES
UNITED STATES	• U.S. GDP expanded +2.1% in the 2nd quarter and June inflation was slightly higher than expected. • Consumer spending remains strong • The Fed's dovish tone offers support to the economy should economic conditions soften	• Manufacturing activity has softened • Trade negotiations with China remain at a standstill, hampering business investment and exports.
DEVELOPED INTERNATIONAL	• Major central banks, namely the Bank of Japan and the European Central Bank, have maintained interest rates, but indicated a willingness to stimulate economies if conditions don't improve.	• Industrial production is slowing across Europe and Asia. • Bond yields have fallen deeper into negative territory. The German Bund yield is pricing in negative yields for all maturities shorter than 20 years.
EMERGING MARKETS	• Many emerging market currencies have weakened versus the dollar, a boon for exports. • After declining in the 1st quarter, South Korea, one of the largest emerging economies, grew +2.1% in the 2nd quarter.	• Emerging economies, largely China, have been experiencing outflows of investment capital in recent months.

INVESTMENT COMMITTEE POSITIONING

	UNDERWEIGHT	NEUTRAL	OVERWEIGHT	
EQUITIES		■		Valuations are reasonable and low interest rates should continue to support market multiples.
DOMESTIC			■	Stronger relative economic conditions leads to an overweight.
INTERNATIONAL	■			Below trend economic growth in many developed economies has resulted in an underweight.
FIXED INCOME		■		Unexpected declines in interest rates have resulted in bonds achieving better than expected returns. While we continue to expect interest rates to remain range bound, they are likely at the bottom end of their range. Bonds remain an important component to diversified portfolios. .
ALTERNATIVES		■		Some alternative investment categories are beginning to exhibit less attractive return prospects. Portfolios are currently emphasizing investments where we perceive the risk and reward characteristics to be more attractive.
CASH		■		Global monetary policy remains accommodative and hence we are looking to keep cash levels near their targets.